

Bajaj Auto | HOLD

Domestic muted; Export to aid volumes and margins

Bajaj Auto's EBITDA margin declined 50bps QoQ to 19.7% (10bps below JMFe), primarily due to lower forex realizations. Domestic 2W industry growth remained subdued in 1QFY26, with the 125cc+ segment performing better than the entry-level segment. Overall, the 2W industry is expected to grow by 5–6% in FY26. Exports are expected to maintain momentum similar to 1Q. EV share is expanding (20%+ of domestic revenue), led by portfolio expansion and the ramp-up of production and distribution networks for E2Ws and E3Ws. However, the EV ramp-up is expected to face near-term challenges due to the rare-earth magnet issue. In our view, lower domestic volumes are expected to be offset by higher export volumes. Additionally, higher export realizations will aid margins, despite lower overall volumes. Therefore, we have marginally cut our EBITDA margin estimates by 10bps for both FY26E and FY27E from our previous estimates. Maintain HOLD with a Mar'27 TP of INR 8,700 (22x FY27E).

- **1QFY26 – Margins slightly below estimate:** BJAUT reported net sales of INR 125.8bn (+6% YoY, +4%QoQ), 2% above JMFe. Blended realisation increased 5% YoY (+3% QoQ). EBITDA margin stood at 19.7% (-50bps YoY and QoQ), 10bps below JMFe. Despite favourable currency movement, 50bps YoY decline was due to higher other expenses. EBITDA stood at INR 24.8bn (+3% YoY, +1% QoQ). PAT for 1QFY26 stood at INR 20.9bn (+5% YoY, +2% QoQ), 3.5% above JMFe.
- **Domestic market & outlook:** Company indicated that domestic 2W industry growth remained largely flattish in 1QFY26, with 125cc+ segment performing better than 100cc segment. BJAUT gained 3% QoQ market share to 15%, led by product and pricing interventions, while it has lost market share in the entry level segment. Overall, the company maintains its expectation of 5–6% growth in domestic 2W industry in FY26 led by premium (125cc+) segments. In domestic 3Ws, its market share in E-auto stood at over 35%, and the introduction of new model P7012 has helped to improve profitability.
- **Export market & outlook:** Demand in the international market remains healthy, with export volumes rising 16% YoY during 1Q. Top 30 overseas markets grew by 17% YoY during the quarter, and account for ~70% of the industry in the emerging markets. Bajaj outperformed the industry with 27% YoY growth in export revenue. While LATAM and ASIA are doing well, trading environment remains uncertain in Africa, where the company plans to avoid build-up of inventory. Sales in Brazil reached 7k in 1Q, and BJAUT is on track to expand its capacity in Brazil to 50k units p.a by year-end. Impact of tariff is minimal (direct exposure is 1% of revenue) and it has commenced KTM production in Austria. Overall, the company expects exports to maintain momentum similar to 1Q.
- **Margin outlook:** EBITDA margin declined by 50bps YoY, led by lower forex realisations. Impact of commodity inflation and OBD-2B norms (70bps) was offset by cost saving initiatives, favourable mix and price hikes. We expect higher export realizations to support margins, despite lower overall volumes.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	4,46,852	5,00,103	5,67,064	6,43,809	7,28,306
Sales Growth (%)	22.7	11.9	13.4	13.5	13.1
EBITDA	88,229	1,00,988	1,11,666	1,33,538	1,53,343
EBITDA Margin (%)	19.7	20.2	19.7	20.7	21.1
Adjusted Net Profit	74,788	81,514	93,633	1,11,175	1,27,560
Diluted EPS (INR)	267.9	291.9	335.3	398.1	456.8
Diluted EPS Growth (%)	34.7	9.0	14.9	18.7	14.7
ROIC (%)	448.4	544.1	375.5	371.0	367.4
ROE (%)	29.7	28.6	27.0	27.3	26.3
P/E (x)	30.5	28.0	24.4	20.5	17.9
P/B (x)	9.2	7.1	6.1	5.2	4.3
EV/EBITDA (x)	24.3	20.9	18.5	15.0	12.5
Dividend Yield (%)	1.0	2.6	1.8	1.8	1.8

Source: Company data, JM Financial. Note: Valuations as of 06/Aug/2025



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Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	8,700
Upside/(Downside)	6.4%
Previous Price Target	8,800
Change	-1.1%

Key Data – BJAUT IN

Current Market Price	INR8,179
Market cap (bn)	INR2,283.9/US\$26.0
Free Float	38%
Shares in issue (mn)	289.4
Diluted share (mn)	279.3
3-mon avg daily val (mn)	INR3,200.2/US\$36.5
52-week range	12,774/7,088
Sensex/Nifty	80,544/24,574
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	-3.0	-7.5	-13.2
Relative*	0.5	-10.6	-14.4

* To the BSE Sensex

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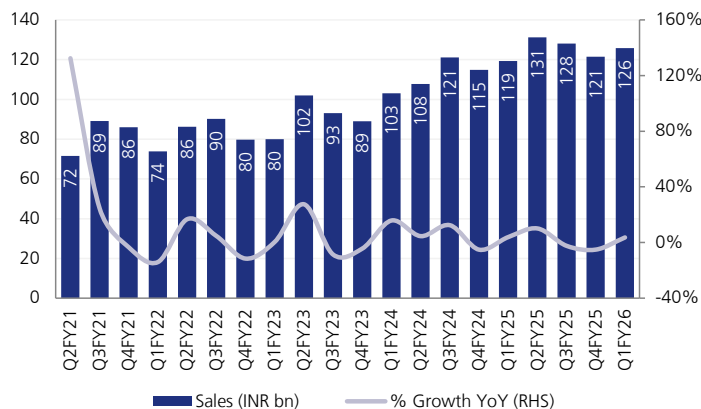
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- **Update on EVs:** Share of EV revenue for BJAUT increased from below 10% in FY24 to 20%+ in 1QFY26. Company has incurred INR 1bn capex in 1Q. Guidance for the full-year FY26 stands at INR 6-7bn, with ~50% attributable to EVs. **E2Ws:** BJAUT's E2W retail market share expanded to 21% in 1QFY26 (vs. 12% YoY). This was led by broader Chetak 35 series portfolio and network expansion. **E3Ws:** BJAUT's E3W has already garnered over 35% market share in 1QFY26 (vs. ~33% in FY25). New E-rick launch is expected in Aug'25, which will give an entry into a large segment of over 40k units per month. Entire EV portfolio (E2W + E3W) is at close to double digits EBITDA margin, with some models of chetak reaching EBITDA positive. BJAUT is facing rare-earth magnet supply issue, and expects to deliver 50-60% of production plan in E2W and 70-80% in E3W.
- **Other Highlights:** **1)** With respect to KTM, regulatory approvals are expected to take a couple of months. **2)** Bajaj Auto Credit's (BACL) AUM as on Jun'25 stands at INR 120bn and has generated ~INR 1bn profit in 1QFY26 (penetration at 40%). **3)** In the premium motorcycle segment, KTM and triumph together clocked 26k units in 1Q (+20% YoY). **4)** Cost escalation is expected with the implementation of Abs norms, which may further dampen demand.

Exhibit 1. Quarterly financial results (standalone)							(INR mn)
	Q1FY26	Q1FY25	%YoY	Q4FY25	% QoQ	Q1FY26E	% A/E
2W (Units)	948,791	950,917	-0.2	943,563	0.6	948,791	0.0
3W (Units)	162,446	151,139	7.5	159,371	1.9	162,446	0.0
Total Volumes (Units)	1,111,237	1,102,056	0.8	1,102,934	1	1,111,237	0.0
Domestic (Units)	634,808	690,621	-8.1	613,248	3.5	634,808	0.0
Exports (Units)	476,429	411,435	15.8	489,686	-2.7	476,429	0.0
Average Realisation (Net, INR)	113,247	108,234	4.6	110,142	2.8	110,693	2.3
Sales	125,845	119,280	5.5	121,480	3.6	123,006	2.3
RM	88,596	83,527	6.1	84,882	4.4	86,104	2.9
As a % of sales	70.4	70.0	40bps	69.9	50bps	70.0	40bps
Employee Exp	4,138	4,350	-4.9	3,645	13.5	3,691	12.1
As a % of sales	3.3	3.6	-40bps	3.0	30bps	3.0	30bps
Other Costs	8,293	7,251	14.4	8,446	-1.8	8,855	-6.4
As a % of sales	6.6	6.1	50bps	7.0	-40bps	7.2	-60bps
Expenditure	101,027	95,128	6.2	96,974	4.2	98,651	2.4
EBITDA	24,818	24,153	2.8	24,506	1.3	24,355	1.9
EBITDA Margin (%)	19.7	20.2	-50bps	20.2	-50bps	19.8	-10bps
Other Income	4,308	3,209	34.2	3,808	13.1	3,827	12.6
Interest	141	207	-31.6	168	-15.9	169	-16.5
Depreciation	1,109	937	18.3	1,111	-0.2	1,000	10.9
PBT	27,875	26,218	6.3	27,034	3.1	27,013	3.2
Tax	6,915	6,335	9.2	6,541	5.7	6,753	2.4
Tax rate (%)	24.8	24.2	2.7	24.2	0.6	25.0	-0.2
PAT (Adjusted)	20,960	19,883	5.4	20,493	2.3	20,260	3.5
PAT Margin (%)	16.7	16.7	0bps	16.9	-20bps	16.5	20bps
EPS (INR)	75.1	70.3	6.8	73.4	2.3	72.5	3.5

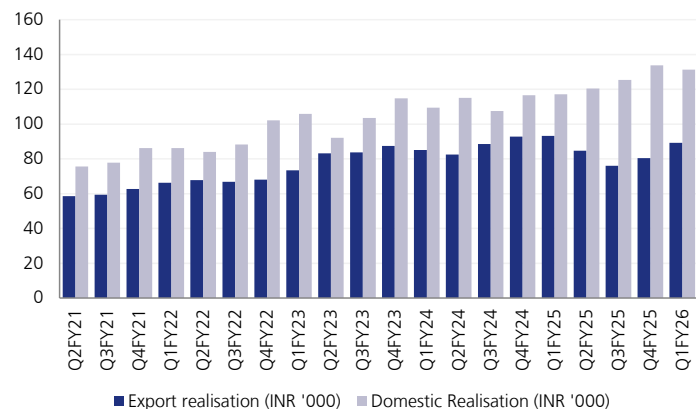
Source: Company, JM Financial

Exhibit 2. Revenue and growth trend



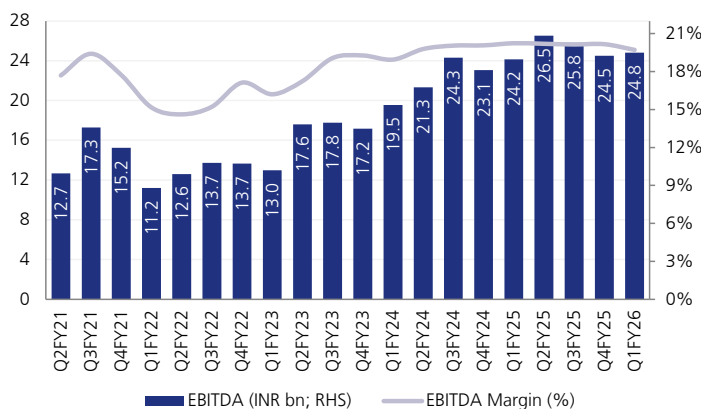
Source: Company, JM Financial

Exhibit 3. Domestic and exports realisation trend



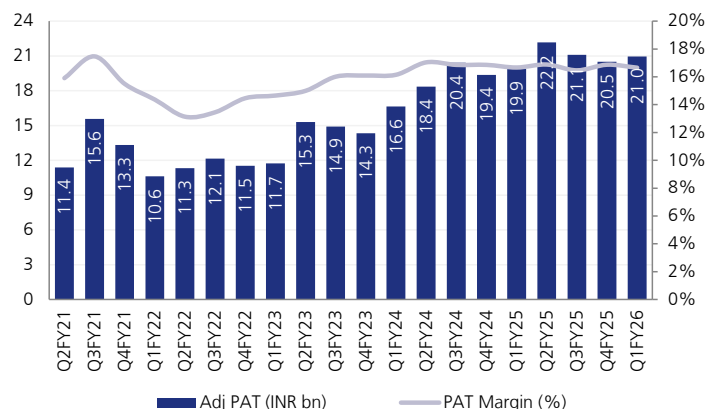
Source: Company, JM Financial

Exhibit 4. EBITDA and margin trend



Source: Company, JM Financial

Exhibit 5. Adj. PAT and margin trend



Source: Company, JM Financial

Exhibit 6. Change in estimates

Particulars	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue (INR mn)	500,103	567,064	643,809	500,103	573,162	650,595	0.0%	-1.1%	-1.0%
Vol. (mn units)	4,650,966	5,071,061	5,578,141	4,650,966	5,125,596	5,636,932	0.0%	-1.1%	-1.0%
Growth (%)	6.9%	9.0%	10.0%	6.9%	10.2%	10.0%			
EBITDA (INR mn)	100,988	111,666	133,538	100,988	113,531	135,435	0.0%	-1.6%	-1.4%
EBITDAM (%)	20.2%	19.7%	20.7%	20.2%	19.8%	20.8%	0bps	-10bps	-10bps
PAT (INR mn)	81,514	93,633	111,175	81,514	95,050	112,617	0.0%	-1.5%	-1.3%
EPS (INR)	292	335	398	292	340	403	0.0%	-1.5%	-1.3%

Source: Company, JM Financial

Exhibit 7. 1-yr forward PE chart



Source: Company, Bloomberg, JM Financial

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	4,46,852	5,00,103	5,67,064	6,43,809	7,28,306
Sales Growth	22.7%	11.9%	13.4%	13.5%	13.1%
Other Operating Income	0	0	0	0	0
Total Revenue	4,46,852	5,00,103	5,67,064	6,43,809	7,28,306
Cost of Goods Sold/Op. Exp	3,17,434	3,53,374	4,01,787	4,52,814	5,11,679
Personnel Cost	15,376	15,794	18,501	20,059	21,741
Other Expenses	25,813	29,947	35,110	37,398	41,542
EBITDA	88,229	1,00,988	1,11,666	1,33,538	1,53,343
EBITDA Margin	19.7%	20.2%	19.7%	20.7%	21.1%
EBITDA Growth	34.7%	14.5%	10.6%	19.6%	14.8%
Depn. & Amort.	3,498	4,001	3,806	4,307	4,749
EBIT	84,731	96,987	1,07,861	1,29,231	1,48,594
Other Income	14,025	14,209	16,341	18,302	20,498
Finance Cost	535	677	1,000	1,250	1,250
PBT before Excep. & Forex	98,220	1,10,519	1,23,202	1,46,283	1,67,842
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	98,220	1,10,519	1,23,202	1,46,283	1,67,842
Taxes	23,432	29,005	29,568	35,108	40,282
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	74,788	81,514	93,633	1,11,175	1,27,560
Adjusted Net Profit	74,788	81,514	93,633	1,11,175	1,27,560
Net Margin	16.7%	16.3%	16.5%	17.3%	17.5%
Diluted Share Cap. (mn)	279.2	279.3	279.3	279.3	279.3
Diluted EPS (INR)	267.9	291.9	335.3	398.1	456.8
Diluted EPS Growth	34.7%	9.0%	14.9%	18.7%	14.7%
Total Dividend + Tax	22,334	58,645	41,889	41,889	41,889
Dividend Per Share (INR)	80.0	210.0	150.0	150.0	150.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	98,220	1,10,519	1,23,202	1,46,283	1,67,842
Depn. & Amort.	3,498	4,001	3,806	4,307	4,749
Net Interest Exp. / Inc. (-)	535	677	1,000	1,250	1,250
Inc (-) / Dec in WCap.	19,150	-14,464	808	-179	818
Others	0	0	0	0	0
Taxes Paid	-23,432	-29,005	-29,568	-35,108	-40,282
Operating Cash Flow	97,971	71,729	99,247	1,16,553	1,34,377
Capex	-7,781	-7,530	-8,959	-9,062	-9,167
Free Cash Flow	90,190	64,199	90,288	1,07,490	1,25,211
Inc (-) / Dec in Investments	-15,690	-51,578	-27,000	-27,000	-27,000
Others	-535	-677	-1,000	-1,250	-1,250
Investing Cash Flow	-24,005	-59,785	-36,959	-37,312	-37,417
Inc / Dec (-) in Capital	-38	1	0	0	0
Dividend + Tax thereon	-22,334	-58,645	-41,889	-41,889	-41,889
Inc / Dec (-) in Loans	8,341	-341	0	0	0
Others	-57,426	54,960	0	0	0
Financing Cash Flow	-71,457	-4,025	-41,889	-41,889	-41,889
Inc / Dec (-) in Cash	2,509	7,919	20,399	37,351	55,072
Opening Cash Balance	2,858	5,366	13,286	33,684	71,035
Closing Cash Balance	5,366	13,286	33,684	71,035	1,26,107

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	2,48,605	3,21,469	3,73,214	4,42,499	5,28,171
Share Capital	2,792	2,793	2,793	2,793	2,793
Reserves & Surplus	2,45,813	3,18,677	3,70,421	4,39,707	5,25,378
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	8,341	8,000	8,000	8,000	8,000
Def. Tax Liab. / Assets (-)	-2,549	2,417	2,417	2,417	2,417
Total - Equity & Liab.	2,54,396	3,31,886	3,83,630	4,52,916	5,38,587
Net Fixed Assets	32,262	35,790	40,944	45,699	50,117
Gross Fixed Assets	67,621	75,143	83,426	92,385	1,01,448
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	35,635	39,636	43,441	47,749	52,497
Capital WIP	275	283	959	1,062	1,167
Investments	2,44,946	2,96,524	3,23,524	3,50,524	3,77,524
Current Assets	56,242	79,599	1,04,698	1,52,605	2,19,044
Inventories	16,956	19,579	20,981	23,832	26,960
Sundry Debtors	21,224	22,826	29,973	34,046	38,514
Cash & Bank Balances	5,366	13,286	33,684	71,035	1,26,107
Loans & Advances	6,136	16,055	10,207	11,589	13,110
Other Current Assets	6,560	7,853	9,853	12,103	14,353
Current Liab. & Prov.	79,053	80,027	85,535	95,911	1,08,097
Current Liabilities	77,162	77,512	80,999	90,761	1,02,270
Provisions & Others	1,891	2,515	4,537	5,150	5,826
Net Current Assets	-22,811	-428	19,163	56,693	1,10,947
Total - Assets	2,54,396	3,31,886	3,83,630	4,52,916	5,38,587

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	16.7%	16.3%	16.5%	17.3%	17.5%
Asset Turnover (x)	1.7	1.7	1.6	1.5	1.5
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	29.7%	28.6%	27.0%	27.3%	26.3%

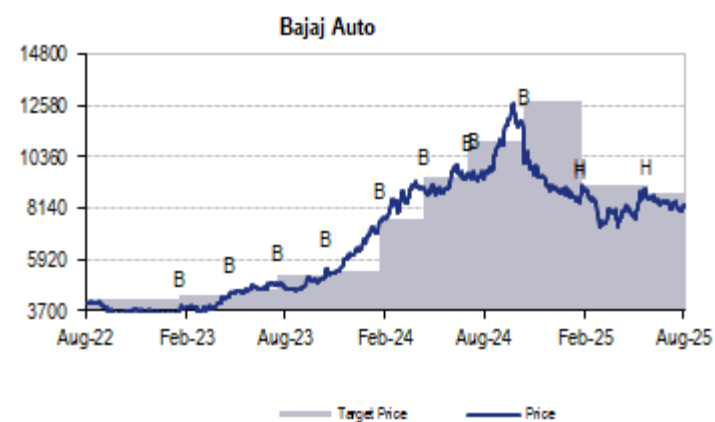
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	890.5	1,151.1	1,336.4	1,584.5	1,891.3
ROIC	448.4%	544.1%	375.5%	371.0%	367.4%
ROE	29.7%	28.6%	27.0%	27.3%	26.3%
Net Debt/Equity (x)	-0.9	-0.8	-0.8	-0.8	-0.8
P/E (x)	30.5	28.0	24.4	20.5	17.9
P/B (x)	9.2	7.1	6.1	5.2	4.3
EV/EBITDA (x)	24.3	20.9	18.5	15.0	12.5
EV/Sales (x)	4.8	4.2	3.6	3.1	2.6
Debtor days	17	17	19	19	19
Inventory days	14	14	14	14	14
Creditor days	79	71	65	65	65

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
22-Oct-20	Buy	3,350	
21-Jan-21	Buy	4,200	25.4
30-Apr-21	Buy	4,200	0.0
23-Jul-21	Buy	4,200	0.0
28-Oct-21	Buy	4,250	1.2
20-Jan-22	Buy	4,100	-3.5
28-Apr-22	Buy	4,250	3.7
15-Oct-22	Buy	4,250	0.0
26-Jan-23	Buy	4,400	3.5
25-Apr-23	Buy	4,600	4.5
25-Jul-23	Buy	5,250	14.1
19-Oct-23	Buy	5,450	3.8
25-Jan-24	Buy	7,700	41.3
18-Apr-24	Buy	9,500	23.4
7-Jul-24	Buy	10,850	14.2
17-Jul-24	Buy	11,000	1.4
16-Oct-24	Buy	12,750	15.9
27-Jan-25	Hold	9,150	-28.2
29-Jan-25	Hold	9,150	0.0
30-May-25	Hold	8,800	-3.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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